

First \$6.00/cwt. above guaranteed minimum price will be divided:
75% / 25% HFC.

Second \$6.00/cwt. above guaranteed minimum price will be divided:
50% / 50% HFC.

\$12.00/cwt. and above the guaranteed minimum price will be divided:
25% / 75% HFC.

- (4) The Contract Price will then be used in connection with HFC's Grade & Yield Program in effect at the time of delivery to determine the final amount to be paid to . Any Grade & Yield premium or discount shall apply solely to the payments due and owing to and shall not be part of any share of the amount above the guaranteed minimum price retained by HFC as described above. Grade & Yield premiums and discounts shall be paid to on the basis of the daily average of the prior week's (Monday - Friday) 11:00 a.m. HFC's Grade & Yield meat price. (Refer to Exhibit "A" for an example.)
- (5) All payments due and owing for delivery of market hogs shall be mailed within three (3) business days of delivery.
- (c) HFC agrees through the terms of this Agreement that the daily average price shall be competitive with market prices paid by other pork processors and shall not be artificially effected upward or downward by the influence of any captive markets held by such processors. understands there may be periods in the year (i.e.; four to ten weeks) where market prices may deviate. Upon receipt of written notice from that HFC's daily average price has not been competitive with that offered by other pork processors for a period of twelve (12) months, then the parties shall confer within fifteen (15) days after receipt of such notice in order to make pricing adjustments as may be necessary to permit to receive competitive prices.
- (d) Inspection, sorting and weighing shall be performed by HFC at the plant. No hogs shall be accepted to fill a contract that weigh less than two hundred ten (210) pounds, or that are crippled, lame, sick, overfilled or otherwise unmerchantable. All hogs shall be priced per HFC's Grade & Yield program in effect at the time of delivery (Grade & Yield program is subject to change). HFC recognizes that Grade & Yield premiums are a very substantial portion of income. It is understood that any changes in the HFC Grade & Yield program should continue to result in HFC offering a competitive program for the processing weight that best meets HFC's requirements, and which continues to provide with a reasonable opportunity to be rewarded for superior quality carcasses.
- (e) HFC shall keep all necessary records with respect to the receipt, weighing and payment of all livestock in accordance with its regular record retention and destruction schedule. At the present time, all scale tickets, P & L's and checks are destroyed after two (2) years. may inspect such records during normal business hours at locations designated by HFC upon reasonable notice by to HFC. HFC shall supply copies of such records as may reasonably request.
- (f) Both and HFC agree that Butcher Hog Production in the United States is a dynamic and changing business. During this Agreement, both parties anticipate that significant changes may occur which could impact the cost of producing butcher hogs. For this reason, both parties agree to annually review the Cost Allowance Matrix and, if necessary, adjust the matrix to reflect cost changes experienced by the top one-third (1/3) producers in the United States, with emphasis on Minnesota and Iowa.